



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0381	Title:	Require certain state agencies to report on federal receipts
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Primary Sponsor:	Burnett, Tom	Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$560,440	\$498,372	\$505,848	\$513,435
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$560,440)</u>	<u>(\$498,372)</u>	<u>(\$505,848)</u>	<u>(\$513,435)</u>

Description of fiscal impact: This bill requires state agencies to provide detailed reporting and specific program information on every federal grant the agencies receive funding for on an annual basis.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction

- Under HB 381, OPI will have to submit three reports to OBPP by October 31.
- The first report will show, for the prior fiscal year, the total federal authority appropriated to OPI, the total federal funds received, and the percent of the OPI budget that is federal. In addition, OPI will present a plan for operating the agency if there is a 5% reduction in federal funding and a 25% reduction in federal funding. OPI will be able to complete this report within its existing resources.
- The second report will show, for each school district and charter school in Montana, the total federal authority appropriated, total federal funds received, and the percent of school district budgets that are federal. The appropriated vs. actual data by school district can be generated from OPI's electronic grants management system with some additional info for non-E-grants programs like school foods.
- The source of information for school district revenues and expenditures is the Trustees Financial Summary, which is due to the Office of Public Instruction on September 15 and is not finalized until December 20. The collection, processing, validation, and issue resolution of detailed financial data from more than 400

school districts is a time-consuming process. The most recent data that would be available for the October 31 deadline in HB 381 will be for the school year that ended 16 months earlier.

5. The Office of Public Instruction posts the school district data that is required by Section 2(2) (b) on the GEMS (K12 data warehouse) site by mid-January of each year. This information is publicly available to any interested parties. If the Legislative Finance Committee requests to receive this data in an alternative format, either OPI or the legislative staff can pull the data from GEMS to prepare the alternative format.
6. OPI does not anticipate that school districts would need to report any new data to OPI to meet the requirements of HB 381.
7. The third report will show details about federal programs at OPI, including total amount of federal funding, ranking of fund sources, OPI costs to administer, and descriptions of actions prohibited or actions required obtaining the federal funds on the part of OPI, business entities, or individuals. This would take a manager or analyst two months to compile and prepare this report.
8. Overall, OPI would need a 0.25 FTE Budget Analyst with salary and benefits of \$21,000 in FY 2016 and \$20,919 in FY 2017.

Department of Military Affairs

9. To meet the requirements, the department estimates it would have to hire a 1.00 FTE financial specialist with estimated salary and benefits costs of \$47,455 in FY 2016 and \$48,318 in FY 2017.
10. There would be one-time-only office set up and computer expenses of \$2,875 in FY 2016.

Department of Health and Human Service

Business and Financial Services (BFSD)

11. The department manages, utilizes, reports on, and oversees the services and activities of over 170 federal grants.
12. The BFSD General Ledger and Medicaid Finance Units are charged with performing the federal status reports (FSR's) to the federal granting agencies on the financial activities of these grants. These reports are on varying timeframes, depending on the requirements of the grant, and are also on various federal reporting systems.
13. The BFSD is responsible for completing and submitting the annual Schedule of Expenditures of Federal Awards report to the Department of Administration for inclusion in the Comprehensive Annual Financial Report.
14. All federal grants and expenditures against the recoveries are recorded in the Statewide Accounting Budgeting and Human Resource System (SABHRS). The department also utilizes SABHRS for the management and reporting of program and agency administration costs of all federal grants.
15. To meet all of the requirements of this bill, the BFSD would need to hire an additional 4.00 project facilitation specialist FTE. The work associated with the requirements of this bill would require these FTE to be knowledgeable in programmatic requirements, program management, state accounting and budgeting, and the federal cash draw process.
16. Many federal grants managed and operated by the department affect or are utilized by more than one division or program. The level of scrutiny and reporting detail required by this bill would require a global view of every program in the agency touched by or affected by each grant.
17. These FTE would work with division and program staff as well as internal BFSD staff to compile the data required by this bill for all federal grants received by the agency.
18. It is estimated to cost the BFSD a total of \$328,670 to perform the requirements of this bill:
 - a) 4.00 FTE salary and benefits of \$76,672 each;
 - b) One-time only office set up and computer of \$2,875 each; and
 - c) Ongoing phone, network connectivity, rent, and supplies of \$2,620 each.
19. It is assumed that these costs are 100% general fund.

Director's Office

34. The department manages and operates the largest federal granting programs in the state including Medicaid, SNAP, TANF, IV-E, Title XX, IV-D, and Child Support. Some of the regulations in these grants are interdependent upon activities performed by other grants.
35. This bill requires the development of an operating plan that would show how the department and its programs would function if there was a reduction of 5% or 25% in the federal grants in the agency.
36. Reporting on the intricacies of these federal regulations and their interdependencies and the understanding of the governing regulations is a specialized skill set. It is assumed that the agency would need to hire a 1.00 FTE lawyer dedicated to the assistance of the staff in BFSD with this skill set.
37. It is estimated to cost the Director's Office \$103,442 to perform the requirements of this bill:
 - a) 1.00 FTE lawyer with salary and benefits of \$97,947;
 - b) One-time only office set up and computer of \$2,875; and
 - c) Ongoing phone, network connectivity, rent, and supplies of \$2,620.
38. It is assumed that these costs are 100% general fund.

Technology Services Division (TSD)

39. As stated above, the department manages over 170 federal grants, each with its own federal regulatory oversight, reporting requirements, and activities. A reporting mechanism would need to be developed to meet the requirements of this bill.
40. It is assumed that this reporting mechanism would be a relational document database. It is estimated that each of the 170 grants would have between five and eight data elements. The database would need a front end data entry facing capability and be able to generate reports and extracts. A relational database of this type would cost approximately \$46,000 for a clustered model, with additional costs license per user of \$1,000 and \$6,000 per server license. Annual maintenance for the software is estimated to be 20% of the original purchase price.
41. The estimated cost for a relational document management database system is \$57,000 for the first year with annual costs of \$11,400.
42. It is assumed that these costs are 100% general fund.

All Other Agencies

43. All other agencies either do not receive federal funding, and therefore would not be required to submit a report as part of this legislation, or would absorb the additional reporting duties using existing resources. Overtime or compensatory time to prepare these reports may be incurred.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact: Office of Public Instruction</u>				
FTE	0.25	0.25	0.25	0.25
<u>Expenditures:</u>				
Personal Services	\$17,949	\$17,880	\$18,148	\$18,420
Operating Expenses	\$3,051	\$3,039	\$3,085	\$3,131
TOTAL Expenditures	\$21,000	\$20,919	\$21,233	\$21,551
<u>Funding of Expenditures:</u>				
General Fund (01)	\$21,000	\$20,919	\$21,233	\$21,551
TOTAL Funding of Exp.	\$21,000	\$20,919	\$21,233	\$21,551
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Fiscal Impact: Department of Military Affairs</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$47,455	\$48,318	\$49,042	\$49,778
Operating Expenses	\$2,875	\$0	\$0	\$0
TOTAL Expenditures	\$50,330	\$48,318	\$49,042	\$49,778
<u>Funding of Expenditures:</u>				
General Fund (01)	\$50,330	\$48,318	\$49,042	\$49,778
TOTAL Funding of Exp.	\$50,330	\$48,318	\$49,042	\$49,778
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact: Department of Public Health and Human Services</u>				
FTE	5.00	5.00	5.00	5.00
<u>Expenditures:</u>				
Personal Services	\$404,635	\$404,635	\$410,705	\$416,865
Operating Expenses	\$84,475	\$24,500	\$24,868	\$25,241
TOTAL Expenditures	\$489,110	\$429,135	\$435,573	\$442,106
<u>Funding of Expenditures:</u>				
General Fund (01)	\$489,110	\$429,135	\$435,573	\$442,106
TOTAL Funding of Exp.	\$489,110	\$429,135	\$435,573	\$442,106
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$560,440)	(\$498,372)	(\$505,848)	(\$513,435)

Technical Notes:**Office of Public Instruction**

1. The source of information for school district revenues and expenditures is the Trustees Financial Summary, which is due to the Office of Public Instruction on September 15 and is not finalized until December 20. The most recent data that would be available by the October 31 deadline in HB 381 will be for the school year that ended 16 months earlier.

Montana Board of Crime Control

2. Grant funds administered by the board include over 40 federal grants that span several fiscal years and should be analyzed over the duration of the grant. It would be difficult to accurately analyze the receipt and expenditure on annual bases for the purpose of making decisions on the program.

Department of Justice

3. Section 2 may require detailed daily time and effort logs all year long from everyone that acts in a support capacity. This activity is currently not being completed and is not within the department's personal services budget.

Office of Commissioner of Higher Education

4. Section 2(1)(a) is not applicable to the state institutions of higher education listed in 17-7-102, MCA, because the legislature does not appropriate these federal funds. These funds are under the governance and control of the Board of Regents, per Article X, Section 9, of the Montana Constitution.
5. The requirement in Section 2(3)(c) that requires a description of any action the agency is required to take, or is prohibited from taking, as a condition for the receipt or continuing receipt of federal funds is very broad and would be interpreted as requiring all actions. There are a myriad of different grant requirements from reporting to overall requirements of OMB circulars. It is unclear if this section would require a copy of every grant agreement and its technical requirements. This would be a voluminous report for the federal

grants and student financial aid assistance received by the state institutions of higher education listed in 17-7-102, MCA. For example, Montana State University alone has approximately 800 individual federal awards that they administer.

6. Each state agency and state institution of higher education listed in 17-7-102, MCA, currently prepares an annual report listing all federal financial assistance received by the federal granting agency. The state also prepares a single audit report.
7. In accordance with state law regarding budget amendments, a state agency must certify that accepting the federal grant does not provide a future commitment of general fund.

Department of Environmental Quality

8. On page 3, line 11, the phrase “of each year” should be inserted after “October 31.”

Montana Department of Transportation

9. Under new section 2, provision 3(c & d) it will be very difficult to describe these requirements succinctly, depending on the level of detail expected in this report. Federal transportation funds are subject to United States Code, Code of Federal Regulation, Federal Highway Administration rules and guidance, authorization, appropriation, conference report provisions, and design and construction specifications. These documents and processes represent thousands of pages of materials.

Department of Natural Resources and Conservation

10. As written, HB 381 interchangeably references the terms "federal funds appropriated by the legislature" with "federal receipts," making the overall intent unclear.
11. Whereas "federal receipt" is defined in section 1 as: "...the federal financial assistance, as defined in 31 U.S.C., that is reported as part of a single audit," the term “federal funds” is not defined in the bill.

Sponsor's Initials

Date

Budget Director's Initials

Date